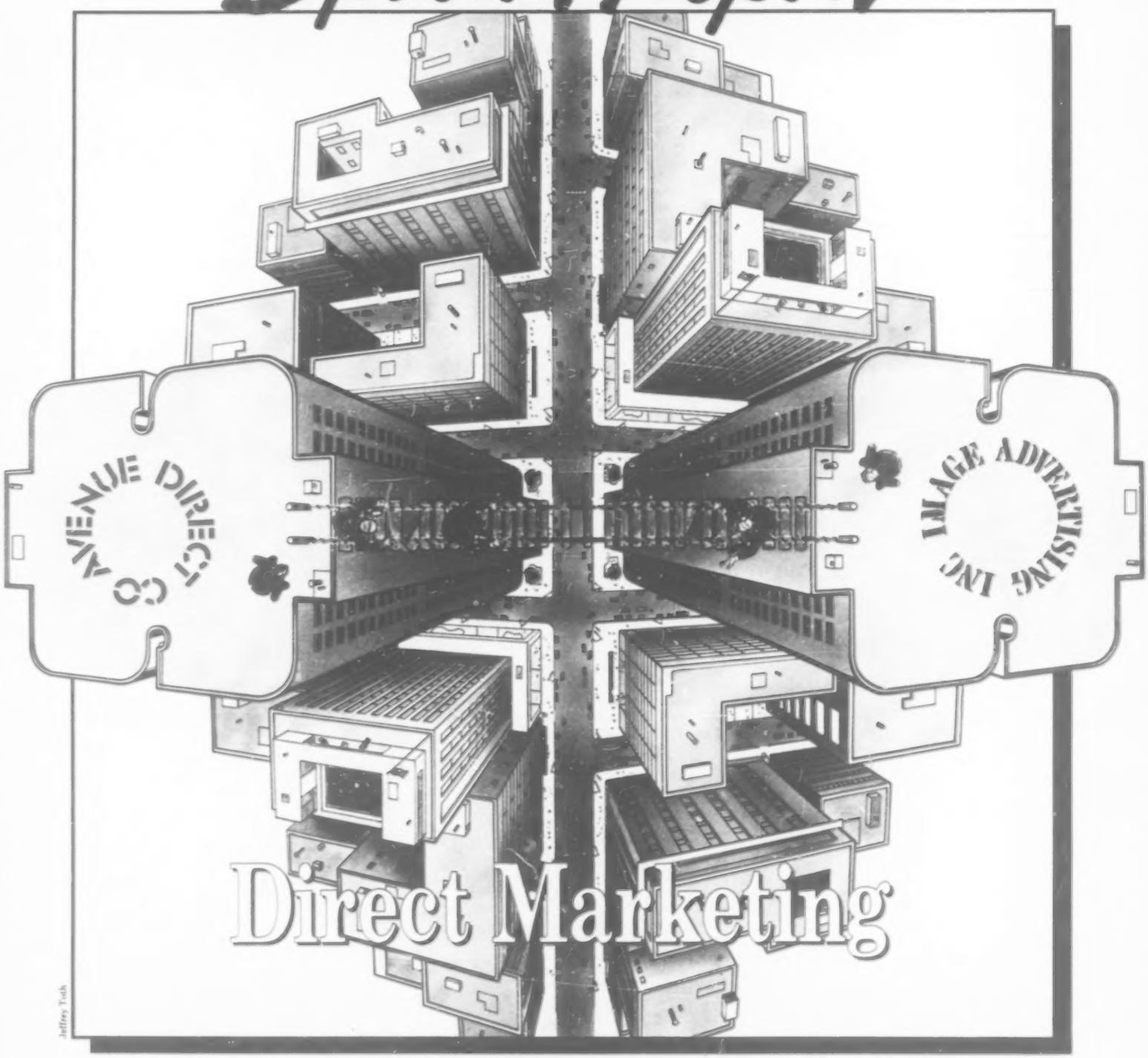
Special Report



Agencies test bridge to new partners

It's no mystery that the gap between direct marketing and general image advertising has been bridged. After all, nine of the top ten agencies listed in ADVERTISING AGE's "U.S. Advertising Agency Profiles, 1986 Edition" possess direct marketing subsidiaries or divisions.

The bridge between the two, however, is missing an occasional plank, and walking it is still a challenge. In the rush to join the trend, direct marketing and general advertising agencies leaped into each other's arms but often weren't quite sure what to do with each other afterward.

Some heralded a new era of creativity, and certainly many subsequent general market and direct response efforts have been colored by influences from the other side. Others foresaw phenomenal new business opportunities, particularly the entrance of package goods companies into direct marketing. But the boom in packaged goods participation has yet to materialize, and some direct marketing and general ad agencies have gracefully bowed out of their unions.

Nevertheless, the disciplines have been connected, irrefutably changing the face of marketing. In the long run, direct marketing will have the greater influence, says Stan Rapp, chairman of Rapp & Collins, a New York-based subsidiary of Omnicom Group, creating an era of one-to-one strategic marketing in which database information is compiled and utilized to better target, address and sell products to consumers—and then establish a continuing relationship with them.

"There is a basic shift in thinking," he says, "from stressing immediate sales vs. the lifetime value of customer relationships."

To maximize marketing efforts, "companies should take 5% to 10% of their measured media and promotional budgets and put it into one-to-one strategic marketing programs."

It's a bridge, it's just not the kind of bridge many marketers may have thought they'd be crossing.

—*Ed Fitch*

Top 10 see billings boom

Direct marketing agencies

(U.S. billings in $ millions)

	1985	1984
1. Wunderman, Ricotta & Kline	175.7	149.7
2. Ogilvy & Mather Direct	173.0	133.0
3. Direct Marketing Group*	101.6	82.1
4. Chapman/Stone & Adler	96.0	72.0
5. Rapp & Collins Direct Response Group	83.5	57.6
6. Grey Direct International	81.8	56.8
7. Direct Marketing Agency*	80.4	67.3
8. Kobs & Bredy Advertising	70.3	52.0
9. FCB Direct	61.6	47.7

ness, some of its competitors seem content to sit on the sidelines. John Laughton, merchandising manager, Piscataway, N.J.-based American Standard, questions the promotional value of Kohler's catalog program and says his company has no plans to sell its products or related products directly to consumers.

He acknowledges some benefit from Kohler's catalog, however. "Kohler has done some innovative things," Mr. Laughton says. "It is better for all of us [in the industry] for there to be more activity—to make people more bathroom-conscious."

Chicago-based Gerber Plumbing also does not sell direct to consumers. "In order to pull that off [catalog selling] you have to be the size of Kohler," says Ron Grabski, marketing director.

"They may use one part of the business to subsidize the other. They may advertise a towel rack and end up selling a bathtub," he says. "The only way the catalogs are going to be successful is if they turn a profit. I don't see that their over-all business is going to increase more if they just increase their ad spending."

Kohler, which sells its bathroom fixtures only through distributors, has come up with a device to measure the impact the catalog has had in creating new customers for its plumbing products. In the current catalog, a coupon offers a rebate tied to invoice amounts for plumbing products.

"We realize not many people will buy a bathtub because of the rebate, but if you needed a faucet, now would be the time to replace it," says Ms. Baiden. The first rebate, however, was for a bathtub—a normal bathtub, not a top of the line model.

The catalog also features photos of new Kohler products and explains how to decorate with Kohler Color Coordinates, a system for matching its products with those of other companies. "This is the first time we are devoting so much space to Kohler products," says Ms. Baiden.

The company mailed its September catalog—its sixth since 1984 and third of this year—to 850,000 names. To date, nearly 20,000 customers have ordered products from Kohler catalogs. Consumers appear to be keeping the books because Kohler still is receiving orders from early books and coupons from ads that ran in the early years.

Ads for the catalog have appeared in shelter magazines including *Home*, *Metropolitan Home* and *The New Yorker*. Kohler ran a listing for the catalog in the September issue of *House Beautiful*, the only magazine in which an ad is currently running.

The catalog also has been advertised via Catalogs U.S.A., New York, which buys pages in many magazines and newspapers including *Country Living*, *House & Garden*, *Metropolitan Home*, *Smithsonian*, *The New York Times Magazine* and *USA Today*.

The advertising tie-in is working both ways now. The current catalog's cover features one of "to increase the tie between the catalog and consumer advertising," Ms. Baiden says. "This is the first time we have done this, and the entire book's presentation is built on the flavor and presentation of the ad."

Kohler's management is pleased with the outcome of its catalog program—and not only for pure bottom-line considerations. "Catalogs are one of Mr. Kohler's loves," she says. "That's another reason we became involved."

But the catalog also is helping Kohler create new business. "It has become a revenue producer in an area from which we had no revenue generated before," Ms. Baiden says. "It has helped to expand our customer franchise."

Distiller finds little comfort as cataloger

Kohler Co. first became involved in the catalog business because of Herbert Kohler Jr.'s love of the medium. The company soon found that its president and chief executive officer's fancy could help address its lack of corporate identity among consumers and generate additional revenue.

Other companies have tried to do the same. Although it is not commonplace, more companies are going into the catalog business—often without branded merchandise, says Roberta Maneker, vp-public relations with the Direct Marketing Assn., New York.

"The success or failure of a catalog depends on the catalog itself. If it's a good catalog, it will sell," she says. "It doesn't matter what business a company is in, increased sales are the inevitable byproduct of a well-produced, successful catalog."

For much the same reasons as Kohler, B-F Spirits division of Louisville, Ky.-based Brown-Forman Corp. produced a catalog for its Southern Comfort brand. "There are a lot of parallels between the Kohler catalog and the Southern Comfort project," says Gail Koach, manager-direct marketing for Southern Comfort. The Paddle Wheel Shop catalog was begun in 1981 as part of sales promotion to enhance brand imagery, she says.

"We did a standard telephone research study of customers," Ms. Koach says. "We found that even with the receipt of one catalog it did enhance brand imagery."

The catalog, which offered giftware inspired by the South, including housewares, Victorian lamps, plantation hats, dried flower wreaths, glassware and bar accessories—only some of which were brand identified—ran for five years through spring, 1986.

(Continued on Page S-32)

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Distiller finds

(Continued from Page S-31)

During that time, a million catalogs were mailed annually.

In the beginning the company mailed catalogs to people who had written for recipes or to ask where they could get merchandise carrying the Southern Comfort name and logo, says David Higgins, vp, senior brand manager. Later the company purchased lists from list brokers.

The catalog was not Southern Comfort's first attempt at direct marketing. "When Southern Comfort was an independent company it already had a good track record with direct marketing," says Ms. Koach. "We sold key chains, happy hour accessories and high-quality glassware

After five years Southern Comfort decided its catalog was not cost-effective.

—not all of which was brand identified. We included an order form in a recipe booklet bound into national magazines. So the catalog was a natural jumping-off point."

Despite the catalog's being a natural addition to the brand's marketing program and having accomplished its goal of increasing brand awareness, Southern Comfort's experience proves the catalog business is not for every manufacturer.

"It was not cost effective for the company," she says, so it was discontinued.

Southern Comfort was spending $500,000 a year on the catalog, and for the number of Southern Comfort users it was reaching, the company believed it could find better methods, Mr. Higgins says.

He cited the costs of fulfillment and inventory as an added problem. "We couldn't control cost of the catalog. Also, the catalog should go to Southern Comfort customers, and we found the demographics of our mailing lists didn't fit.

"Our research showed the catalog positively changed the attitude toward Southern Comfort," Mr. Higgins says.

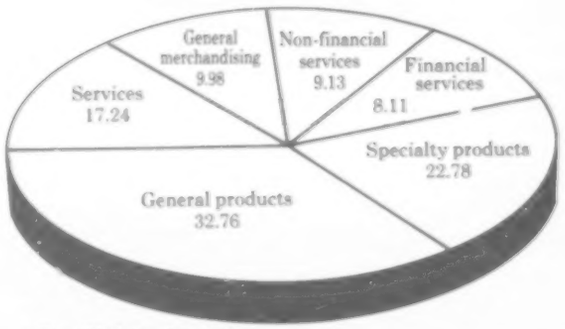
"But we're not in the mail order business; we are a distilled spirits business."

The catalog was both fun and fulfilling, he says. "We hated to give it up. It was a hard decision to make."

—Karen Brodsky

General product sales dominate

1985 U.S. consumer mail order sales percentage breakout



Source: *Direct Marketing*, July, 1986

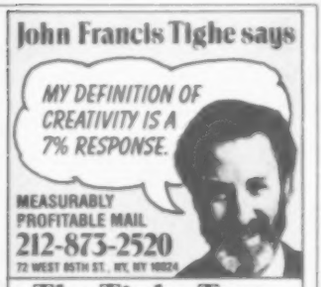
Top 10 U.S. mail order companies worldwide

($ in U.S. millions)

Company	Sales segment	Sales
1. Sears, Roebuck & Co.	General merchandise, insurance, auto clubs	2,809.0
2. Time, Inc.	Books, magazine subscriptions, cable tv	1,862.6
3. J.C. Penney Co.	General merchandise, insurance	1,769.4
4. United Services Automobile Assn.	Insurance	1,420.9
5. Mobil Oil Corp.	General merchandise, insurance, auto clubs	1,294.8
6. Colonial Penn Group	Insurance	1,081.3
7. GEICO	Insurance	1,073.0
8. Reader's Digest Assn.	Books, collectibles, general merchandise, magazine subscriptions	1,022.0
9. American Automobile	Auto clubs	975.0
10. Tele-Communications Inc.	Cable tv	845.7

Source: *Direct Marketing*, July, 1986

John Francis Tighe says



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GF's coffee

(Continued from Page 4)

her survey were the results from the car and truck category. Ad awareness for General Motors' and Ford Motor Co.'s advertising seesawed last month, with GM gaining 4 points and Ford losing 4.2 points.

Ad awareness for General Motors (as a brand) hovered between 3% and 4% for the previous nine months, but a boost from the ad blitz touting lower financing last month sent the General Motors ad score soaring up to 8.5% of first mentions.

The GM response rate, rarely high enough to make it into the top five in auto maker ad awareness, was third last month.

Ford, continually the best-recalled auto advertiser, remains in first, despite its 4.2 point loss, with an ad awareness score of 18.5. Interestingly, each time GM gains in its share of advertising awareness, Ford loses. While Ford also ran ads for cut-rate financing, GM had more cars to clear out, so it loaded up the airwaves.

Rounding out the car and truck category in the No. 2 spot is GM's Chevrolet with 12.2% of ad awareness; No. 4 is Toyota with 7.5%, and Dodge is fifth with 4.4%.

September's 10 best-recalled advertisers (without requesting a specific product category) were, in descending order: Coca-Cola, Pepsi-Cola, General Motors, Miller/-Miller Lite, McDonald's, Bartles & Jaymes (E. & J. Gallo), Ford, Budweiser/Bud Light (Anheuser-Busch), Chevrolet and Burger King. More than 56% of those queried (unaided) were unable to recall a specific advertisement.

New to the top 10 in September were GM, Chevy and Burger King, which return after a hiatus in August. Those three brands' advertising bumps ads from K mart, Levi Strauss and Seven-Up from the top 10.

- In the **wine** category, California Cooler's ad recall lost 2.1 percentage points, reducing its score to 3% in September, but keeping the brand in fourth place among wine advertisers. In August, the brand's $20 million "real stuff" campaign had helped it gain 2.7 percentage points. Bartles & Jaymes remained No. 1 with 12.4% of ad awareness, E. & J. Gallo is second with 10.4%, Riunite third with 10.0% (up 3.5% from August) and Seagram's fifth with 2.5% of top-of-mind ad recall in the category.
- Among **financial institutions**, E.F. Hutton gained 2.6 points to 6.1% (first place) while Merrill Lynch garnered 2.9 additional points of awareness, moving to 5.1% (second place). American Express, which usually scores well under the credit-card category, also is getting some notice among financial institutions. The brand placed third in that category with 1.5% of first mentions.
- IBM's four-page spread in the *Wall Street Journal* and other advertising for its entire personal-computer line helped the brand move 3.7 percentage points to 21.7% of first mentions in the **computer** category. Ads for IBM remain in the No. 2 slot behind Apple's 22.1% of ad awareness. Commodore remains a distant third with 2.7%.#

For additional information or data, contact Gary Gabelhouse, SRI Research Center, 301 S. 68th St., Lincoln, Neb. 68506. Phone: (402) 489-0351.

Wyse renames pr unit

CLEVELAND—Wyse Advertising has renamed its Wyse Public Relations unit Wyse-Landau Public Relations, moving vp-pr director Howard Landau to president.

Mr. Landau succeeds Robert Wyse, who earlier moved to general manager at the agency's New York office.#

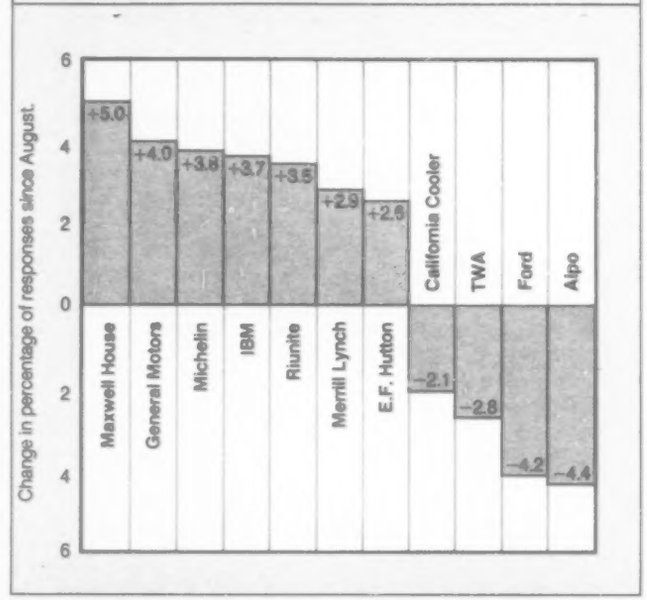
McCormick moves Prima

BALTIMORE—McCormick & Co. is launching nationally Pasta Prima, a line of five dry seasonings for pasta sauces.

Grey Advertising, New York, will handle magazine and newspaper advertising.#

September winners and losers

Question: Of all the advertising for (product category) you have seen, heard or read in the past 30 days, which ad first comes to mind? *Source: SRI Research Center Inc., Lincoln, Neb.*



Ads featuring actress Justine Bateman and other young tv personalities relaxing with a cup of Maxwell House Instant coffee helped push the brand's ad recall up 5 percentage points to 27.8% in the September adWatch survey. Ogilvy & Mather, New York, handles.

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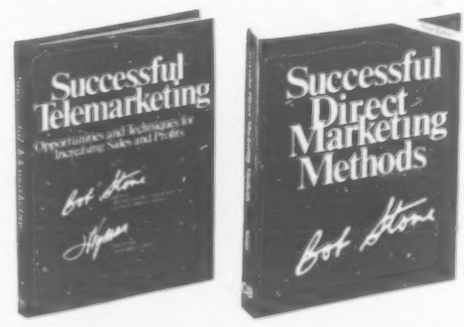

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Chicago/Detroit Area
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Campbell-Ewald Co.

Charles S. Brandt
VP/Group Acct. Supervisor
D'Arcy, Masius, Benton & Bowles

Robert DiFranco
VP/Acct. Supervisor
Wells, Rich, Greene, Inc.

Kirk P. Hodgdon
Marketing Manager
Kelly Services, Inc.

Brian L. Kaye
Sr. Account Executive
Bozell, Jacobs, Kenyon & Eckhardt

Debra Lovio
Director, Corp. Advertising
Burroughs Corp.

Gene McCarthy
Sr. VP/Exec. Dir. Media Svs.
BBDM&O

Frank Sondeen
Advertising Mgr.
Gerber Products Co.

Carole Walker
Media Planner
D'Arcy, Masius, Benton & Bowles

Kevin R. Wixted
Account Supervisor
Ross Roy, Inc.

Los Angeles Area
Emil Iannaccone
Sr. VP/Dir. Media Resources
Rubin Postaer & Assoc.

Caroline Watson
Senior Media Supervisor
Dailey & Assoc.

New York Area
Brian Battersby
Media Supervisor
McCann-Erickson

Michael Borkowsky
Dir., Planning & Development
Bristol-Myers Co.

Robert A. Cronenwett
Dir., Advertising/Special Projects
ITT Corp.

Lawrence S. Perl
Account Executive
Dean Witter Reynolds, Inc.

Michael Perry
Account Executive
Scali, McCabe, Sloves, Inc.

David Shook
Asst. Dir., Creative Svs.
General Foods Corp.

Agie Weisz
Media Planner
Grey Advertising

Marty Wolf
Media Supervisor
House of Seagram Media

Pittsburgh/Washington Area
M. Burke
Int'l. Advertising Mgr.
U.S. Mint

Errol Dengler
Assoc. Media Dir.
Wyse Advertising, Inc.

Albert Haas
Adv. Group Program Mgr.
U.S. Postal Service

Michael A. Schuler
President/CEO
Zippo Mfg. Co.

San Francisco Area
Ellen Comley
Media Supervisor
BBDM&O

John Neitzel
VP/Acct. Supervisor
DDB Needham Worldwide

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4. Mark with an "X" up to three boxes on the coup responding to the articles of your choice.

5. Return the coupon to us by mail. Only one entry accepted per person per month.

6a. Entries received after the fifteenth of the mon ceding issue date will not be eligible for that mont ing but will be included in the Grand Prize drawing November.

6b. Entries must be received before November 15, order to be eligible for the Grand Prize drawing.

6c. All monthly entries will be eligible for the Gra drawing in November 1986.

7. The odds of winning will depend upon the numb entrants and the number of correct answers.

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9. The 50 monthly prizes will be drawn and award lows: New York 20, Chicago 9, Detroit 9, Pittsburg Washington 2, Los Angeles 2, San Francisco 2, Atl

10. The approximate value of the 50 monthly prize each. The approximate value of the three Grand Pr $5,000 each.

11. Winners will be notified by mail on or before th zine's on-sale date each month. Their names may announced in advertisements and/or promotional materials.

12. All drawings will be conducted by an independ of judges and their decision will be considered fina